

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – NOVEMBER 9, 2005

PRESENT: Chairman Anthony Maiola and Commissioner John Byrne; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; George Tsiopras, Chief Financial Officer; Nicole Brassard, Wine Marketing Specialist; Doreen Wittenberg, Business Supervisor, Administrative Services. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.; Michael Gocłowski, Law Warehouses.

EXCUSED: Commissioner Patricia Russell; Richard Gerrish, Spirits Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending November 6, 2005 were up 8.88% or \$606,517 for the weekly comparison, and were also up year-to-date by 4.42% or \$6,428,299.

B. Budget/Administrative Reports:

The two Commission contracts which went before Governor and Council at their last meeting passed with no problems. There will be additional contracts for snow plowing to be brought before the Council at their next meeting.

Craig is still tracking seven LSRs. The Commission was asked to present four fiscal notes; two have been provided, and two are in process.

George Tsiopras will represent the Commission on the statewide ERP proposal team.

Due to a mix-up, one of the Deferred Compensation briefings scheduled for yesterday did not occur (the morning briefing took place as scheduled). All participants were mailed information regarding changes in the program's accounts to their homes. They will be notified by e-mail when the meeting, which should only take about ten to fifteen minutes, is rescheduled. Craig stressed that it was important that those in the program know about the changes.

The current Expense Budget Activity Variance Report shows the year to be at about 35.89% expired, with total agency expenditures at around 35.89%. Several accounts are still being closely monitored.

Physical inventory of fixed assets is now taking place, with most of headquarters and Enforcement completed yesterday.

Vehicle contracts were released by Purchase and Property yesterday for agencies to order what they need. George encouraged this be done as soon as possible.

The Annual Report is expected to go into production for the first Governor and Council meeting next month. Copies will be submitted to the Commission first for review and approval.

George issued a cash management report to the Commission and Bureau Chiefs. Any questions should be referred to George.

2. IT Report

All stores have been updated with the Dolphin software.

Both Store #15 Keene and #71 Lee have had lanes added and now have their full complement of registers.

Howard will be meeting with Craig and John Bunnell next Monday regarding priorities for outstanding IT projects, with a list to be completed later this week.

Verizon issues appear to be resolved at the disaster recovery site, and activities should be able to move forward after today.

Rose Rehm will be doing patch updates on everyone's computer for security reasons.

The survey program has been modified to be able to handle both Lisa and Peter's needs.

Chairman Maiola remarked that IT was the top subject at the Governor's meeting yesterday.

Mike Goclowski reported that on nh.liquor.com there is some additional advertising and news articles going into effect for November and December. This is a statistical test to start rates in 2006. There are several brokers already participating, and Mike will be speaking with other brokers and their suppliers. Mike is trying to involve as many factors as possible. He will get information together to bring back to all players. He said everyone seems to be very excited about this program.

3. Human Resources Report: No report given.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 11/6/05 increased by 8.94% or \$452,894.19.

There will be a meeting with the Lottery next Monday to discuss options to add lottery ticket dispensers in all stores. Those pilot stores already participating have experienced an increase of 22% in ticket sales. Commissioner Maiola supported moving forward on this effort. Commissioner Byrne felt further action should wait until more information was presented.

a. Request for Space at Store #38 Portsmouth:

It was moved by Commissioner Maiola, seconded by Commissioner Byrne, that the Commission deny a request from the Portsmouth Chamber of Commerce to acquire space for a kiosk to hand out brochures at Store #38 in Portsmouth due to lack of available space, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report: No report given.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Arrow Sour Apple Schnapps):

It was moved by Commissioner Maiola, seconded by Commissioner Byrne, that the Commission approve a request from John Bunnell, Administrator of Marketing & Sales, to table a request from Southern Wine & Spirits of New England, Inc./David Sherman Corporation for a new test market listing for Arrow Sour Apple Schnapps, 750ML size, until next week's meeting, pending receipt of further information. The motion was unanimously adopted.

b. Test Market Results (Codes #5509, #3743, #8448, #2292, #3944 & #3937):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve specialty item status for Codes #2292, Glenrothes Single Malt and Code #3944, Gran Centenario Anejo, 750ML sizes, as both items achieved the gross profit required for specialty item consideration at the conclusion of a six-month test market period, and approve the delisting of Code #3743, Vox Green Apple Vodka, 750ML size, Code #3937, Gran Centenario Plata, 750ML size and Code #5509, Smirnoff Screwdriver, 1.75L size, as each item failed to achieve both their respective gross profits required for full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. In addition, the Commission voted to grant a three-month extension of the test market period for Code #8448, Cruzan Dark Rum, 750ML size. The motion was unanimously adopted.

2) Appeal (Code #3455, Absolut Raspberri, 1.75L):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission, in response to an appeal from Southern Wine & Spirits of New England, Inc. to grant a specialty listing for delisted Code #3455, Absolut Raspberri, 1.75L, allow a three-month extension of the test market period for this product. The motion was unanimously adopted.

3) December/January Sweepstakes (Horizon Beverage/Sidney Frank):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Sidney Frank Importing Co. to conduct a sweepstakes in conjunction with promotion of the Jagermeister family of products during December 2005 and January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) January Special Offers:

a. 1 item – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from M.S. Walker, N.H., based upon depletions for one (1) spirit item, to be featured on sale during January 2006, as recommended by Richard

Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 5 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions for five (5) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 1 item – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions for one (1) spirit item, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 18 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for eighteen (18) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 90 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for ninety (90) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 24 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions for twenty-four (24) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 140 items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Southern Wine & Spirits of New England, Inc., based upon depletions for one hundred forty (140) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 12 unmatched items – M.S. Walker, NH:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from M.S. Walker, NH, based upon depletions, without matching state funds, for twelve (12) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. 52 unmatched items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Southern Wine & Spirits of New England, Inc., based upon depletions, without matching state funds, for fifty-two (52) spirit items, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Special Offers for December 2005 (7 items – Martignetti Cos.):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve additional special offers from Martignetti Companies of N.H., based upon depletions for seven (7) wine items, effective from December 2005 through July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Martignetti Buy One Get One Half Off – January 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from Martignetti Companies of N.H./Rodney Strong Winery whereby a consumer may buy one of five Rodney Strong wines and receive a second bottle at one-half price during January 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Scharffenberger Brut Sparkling NV #40822:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from Southern Wine & Spirits of New England, Inc./Connoisseur Wine Division to introduce Code #40822, Scharffenberger Brut Sparkling by placing a three absolute in Cluster 1 and 2 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Smoking Loon Sauvignon Blanc #42122:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from Martignetti Companies of N.H./Don Sebastiani & Sons to introduce Code #42122, Smoking Loon Sauvignon Blanc by placing a three absolute in Cluster 1 and 2 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Results of Purchases and Displays:

a. Lindauer Brut:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the delisting of Code #40964, Lindauer Brut for failure to meet gross profit requirements as a result of the purchase and display of this product, as recommended by Nicole

Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Griffigna Malbec & Shiraz:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the delisting of Code #42172, Malbec Graffigna San Juan and Code #42174, Shiraz Graffigna San Juan, 750ML sizes, for failure to meeting gross profit requirements as a result of the purchase and display of these products, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Fernleaf Sauvignon Blanc:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission place absolutes in selected stores of Code #42397, Fernleaf Sauvignon Blanc, 750ML size, as a result of the purchase and display of this product, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated Wines for Distribution to Selected Stores (22 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve twenty-two (22) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve twenty-two (22) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Not Recommended – Wine Allocation (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the non-recommendation of four (4) wine codes for wine allocation, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) “R” Wines for Allocation to Licensees Selected by the Broker (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve two (2) restricted wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (2 primary source; 10 exclusive agent; 20 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of two (2) wine codes which are from primary source, ten (10) wine codes which are offered by the exclusive marketing agent and twenty (20) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

11) Tabled Items:

- a. Appeal on Delist of Lancers Rose (10/19/05, Item B-6): Item remained on the table.

III. ENFORCEMENT & LICENSING REPORTS – No report given.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated October 27 through November 9, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Holiday Extended Holiday Recommendations:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve closing times for retail stores on Wednesday, November 23, 2005, and that all stores be open regular hours with regular staffing on Friday, November 25, 2005, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2005 Holiday Security Details Recommendations:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve holiday security details for 2005 for the retail stores, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Purchase and Distribution of Smoking Loon:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from Martignetti Companies of N.H./Don Sebastiani & Sons for the purchase and distribution of Smoking Loon Cabernet, Chardonnay, Merlot and Pinot Noir during December 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

/D. Hartford

